

**Draft Modification Report**  
**Provision of information relating to the SO commodity charge**  
**Modification Reference Number 0562**

Version 3.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

## **1. The Modification Proposal**

The proposer suggested that the introduction of Transco's new System Operator (SO) incentives has introduced greater uncertainty over the level of the SO Commodity Charge. Transco has already announced one significant change in the SO commodity charge this year at short notice.

The current SO Commodity Charge is set on the basis of a Transco forecast of annual throughput and the assumption that Transco will achieve (but not exceed) all of its target costs under the various SO incentive schemes.

Transco should be obliged to publish on a weekly basis information relating to actual system throughput and performance relative to all of the incentive scheme targets to date. Transco should publish information for that week for each incentive scheme separately and cumulative totals for the year to date for each incentive scheme.

## **2. Transco's Opinion**

This proposal has been discussed within NT&T Workstream meetings. The unanimous view of attendees at the NT&T Workstream meeting held on 8 August 2002 was that this proposal is not sufficiently defined to facilitate either consultation or implementation. Nonetheless, Transco notes the broad support of the NT&T Workstream in respect of the objectives of this proposal. However, the Workstream noted it would be necessary for further work to be undertaken to define an appropriate level of detail to facilitate implementation.

Although the NT&T Workstream agreed that this proposal should not be recommended for implementation, it is envisaged that a similar Modification Proposal could be developed by the NT&T Workstream. The NT&T Workstream hopes that AEP Energy Services Ltd will raise the Modification Proposal but if it does not another organisation is likely to.

Transco supports the views expressed by the NT&T Workstream and hence does not recommend implementation given the current state of development of this proposal.

**3. Extent to which the proposed modification would better facilitate the relevant objectives**

The NT&T Workstream has expressed the view that implementation of this proposal might further the 'relevant objectives' as defined by Standard Condition 9 of Transco's GT Licence but only following further development.

**4. The implications for Transco of implementing the Modification Proposal , including  
a) implications for the operation of the System:**

There is insufficient detail to enable Transco to gauge the implications of this proposal for the operation of the System.

**b) development and capital cost and operating cost implications:**

Development and operating cost implications cannot be identified without better understanding of the details of this proposal.

**c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Not applicable.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

Transco is not aware of any implications this proposal would have on price regulation.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

Such consequences cannot be identified without better understanding of the details of this proposal.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

Transco is not aware of any development implications for computer systems of Transco or related computer systems of Users.

**7. The implications of implementing the Modification Proposal for Users**

Transco is not aware of any implications for Users of implementing this proposal.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

Transco is not aware of any implications for Terminal Operators, Consumers, Connected System Operators, Storage Operators, suppliers, producers and any non-Network Code party.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

Transco is not aware of any such consequences.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

AEP has stated that implementation of this proposal would encourage competition between Shippers and Suppliers as they would be able to forecast Commodity Charges over the year more accurately and would therefore be able to offer more competitive terms to final customers.

The NT&T Workstream considers that further development work is required to further develop the details of this proposal to ensure that the objectives of this proposal can be met.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Transco now seeks representations in respect of this Modification Proposal.

**12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

This proposal is not required to enable Transco to facilitate compliance with safety or other legislation.

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

This proposal is not required with regard to any proposed change in the methodology established under Standard Condition 4(5) of the statement.

**14. Programme of works required as a consequence of implementing the Modification Proposal**

Transco believes it cannot develop a program of works without better understanding the detail of this proposal.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

Draft Modification Report submitted requesting representations: 8 August 2002

Close out for representations: 30 August 2002

Final Modification Report submitted to Ofgem for decision: 20 September 2002.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco does not recommend implementation of this proposal.

**17. Text**

*Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report*

Signed for and on behalf of Transco.

Signature:

**Tim Davis**  
**Head of Regulation NT&T**

Date: